

**NATIONAL DAIRY MARKET AT A GLANCE****CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (2/18)**

**BUTTER:** Grade AA closed at \$1.5800. The weekly average for Grade AA is \$1.6158 (+.0016).

**CHEESE:** Barrels closed at \$1.3900 and blocks at \$1.4375. The weekly average for barrels is \$1.3860 (-.0140) and blocks, \$1.4335 (-.0005).

**BUTTER:** The CME cash price is weak as the price declined 5 1/4 cents in late week trading. Churning activity across the country remains quite strong. Cream supplies are readily available in most areas with cream moving from the East and West into the Central part of the country. In most instances, current production is outpacing demand thus surplus butter is entering inventory programs. Many butter producers continue to question if they should be building inventories at current price levels, while some producers and handlers feel that butter prices will remain firm for much of the year and are building inventories with confidence. Last year at this time, the cash price was higher than current levels and increased over the next 8 weeks to the yearly high of \$2.3650 by mid April. Overall butter demand ranges fair to good with retailers preparing for the upcoming Easter/Passover holiday period.

**CHEESE:** The cash cheese market is steady to firm and prices have rebounded slightly after 3 weeks of declines. Demand has improved as buyers returned to rebuild depleted stocks at lower prices. Cheddar aging programs are also being resumed. Cheese production is fairly steady. Many plant operators are still trying to limit February cheese production due to the expected negative return from the milk price compared to the returns from cheese sales. The Kansas City Commodity Office (KCCO) announced the sale of 2,047,992 pounds of aged blocks at \$1.0638 - 1.1415 per pound under Invitation 019 announcement DSC1. KCCO also announced Invitation 020 offering for sale about 416,153 pounds of barrels and 798,650 pounds of blocks with offers due February 23. Public release of results is scheduled for February 25.

**FLUID MILK:** Class I interest is steady to lighter in areas with schools out on holiday either this week or next. Manufacturing schedules are higher in the Southeast as milk intakes approach the seasonal peak in a few weeks. Plant receipts are mostly steady in the Northeast and Middle Atlantic areas. Milk volumes are steady to higher through most of the Central region. Wet conditions in the Southwest continue to hamper milk production with flooding and mudslides occurring in some areas. Additional rain in California may again impact the rebound in milk intakes. Milk volumes are steady in Idaho and the Pacific Northwest.

**DRY PRODUCTS:** Prices are higher for NDM in a firm market. Supplies are limited with lead times on additional orders pushed out at least 3 weeks. Buttermilk prices are also mostly higher as some buyers substitute buttermilk for NDM or are stockpiling supplies for later use. Buttermilk production is generally heavier though increasing volumes are clearing as condensed. Whey prices are mixed on a generally steady market. Production is steady and supplies are generally in balance. Export demand is good with domestic sales steady. The WPC market remains firm though sales are limited to contracted shipments. Even contracted loads are being shorted or delayed. Production is steady as some cheese plant operators limit output.

**CCC:** During the week of February 14 - 18, there was no price support activity.

**FEDERAL MILK ORDER ADVANCE PRICES HIGHLIGHTS (DAIRY PROGRAMS):** Under the Federal milk order pricing system, the base price for Class I milk for March 2005 is \$15.43, up \$1.64 from February. This price is derived from the advanced Class III skim milk pricing factor of \$9.59 and the advanced butterfat pricing factor of \$1.7658 per pound. Class I differentials specific to each county are added to the base price to determine the Class I price. The Class II skim milk price for March is \$7.44 and the Class II nonfat solids price is \$0.8267 per pound. The following are the two-week product price averages: butter \$1.5865, nonfat dry milk \$0.8964, cheese \$1.6482, and dry whey \$0.2479.

**DAIRY OUTLOOK (ERS):** Dairy replacement heifers (500 pounds or more) totaled 4.1 million on January 1, up 3% from a year earlier. The number of replacement heifers per 100 cows stood at a record 45.9. Heifers expected to calve in 2005 were also up 3%. Even without availability of Canadian heifers, replacement of more than 31% of the cow herd should be possible in 2005. Larger replacement supplies have affected heifer prices—but only slightly. Replacement prices in January were down about \$100 from last summer's peak but still up more than \$200 from a year earlier. Strong heifer demand has limited price declines. Replacement prices in 2005 are likely to stay high, although some additional easing is possible.

**JANUARY FEDERAL MILK ORDER PRICE AND POOL SUMMARY (DAIRY PROGRAMS):** During January, about 10.2 billion pounds of milk were received from producers. This volume of milk is 0.2% higher than the January 2004 volume on a comparable market basis. (There were no volumes of milk not pooled due to intraorder disadvantageous price relationships in either year.) About 3.9 billion pounds of producer milk were used in Class I products, 3.0% lower than the previous year on a comparable market basis. Calendar composition had a negative impact on milk used in Class I in 2005 as compared to 2004. The all-market average Class utilizations were: Class I=38%, Class II=12%, Class III=38%, and Class IV=12%. The weighted average statistical uniform price was \$15.63, \$0.37 lower than last month, and \$2.78 higher than last year.

**JANUARY MILK PRODUCTION (23 STATES) NASS:** Note: NASS added Colorado, Kansas, and Oregon to the monthly milk production estimating program beginning in January 2005. Historic estimates have been created for these states back to 2003 for comparison purposes. The 23 states in the monthly estimating program account for 91% of the U.S. milk production. Milk production in the 23 major states during January totaled 13.2 billion pounds, up 168 million pounds (1.3%) from January 2004. December production, at 13.0 billion pounds, was up 1.2% from December 2003. Production per cow averaged 1,637 pounds for January, 13 pounds (0.8%) above January 2004. The number of cows on farms was 8.08 million head, 38,000 head more (0.5%) than January 2004, but 15,000 head less than December 2004.

**\*\*\*\*SPECIAL THIS ISSUE\*\*\*\***

BUTTER, AND CLASS III AND IV FUTURES (PAGE 7)  
INTERNATIONAL DAIRY MARKET NEWS (PAGE 8)  
TOTAL COW SLAUGHTER UNDER FEDERAL INSPECTION 2002-2004 (PAGE 9)  
DAIRY OUTLOOK (PAGE 10)

JANUARY FEDERAL MILK ORDER PRICE & POOL SUMMARY (PAGE 11)  
JANUARY MILK PRODUCTION (PAGE 12)  
DAIRY GRAPHS (PAGE 13)

**CHICAGO MERCANTILE EXCHANGE  
CASH TRADING**

PRODUCT	MONDAY FEBRUARY 14	TUESDAY FEBRUARY 15	WEDNESDAY FEBRUARY 16	THURSDAY FEBRUARY 17	FRIDAY FEBRUARY 18	WEEKLY CHANGE*	WEEKLY AVERAGE#
CHEESE BARRELS	\$1.3800 (N.C.)	\$1.3800 (N.C.)	\$1.3900 (+.0100)	\$1.3900 (N.C.)	\$1.3900 (N.C.)	(+.0100)	\$1.3860 (-.0140)
40# BLOCKS	\$1.4200 (N.C.)	\$1.4300 (+.0100)	\$1.4400 (+.0100)	\$1.4400 (N.C.)	\$1.4375 (-.0025)	(+.0175)	\$1.4335 (-.0005)
BUTTER GRADE AA	\$1.6350 (+.0025)	----	\$1.6325 (-.0025)	----	\$1.5800 (-.0525)	(-.0525)	\$1.6158 (+.0016)

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs. \*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USA.GOV/MARKETNEWS.HTM **NOTE: CME NDM on Page 2. The CME will be closed on Monday, February 21, 2005.**

**CHICAGO MERCANTILE EXCHANGE**

MONDAY, FEBRUARY 14, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 4 CARS 40# BLOCKS: 1 @ \$1.4200, 2 @ \$1.3800, 1 @ \$1.3700; OFFERS UNCOVERED: NONE

BUTTER — SALES: 5 CARS GRADE AA: 3 @ \$1.6300, 2 @ \$1.6350; BIDS UNFILLED: 2 CARS GRADE AA: 1 @ \$1.6325, 1 @ \$1.6300; OFFERS UNCOVERED: NONE

TUESDAY, FEBRUARY 15, 2005

CHEESE — SALES: 5 CARS BARRELS @ \$1.3800; BIDS UNFILLED: 1 CAR BARRELS @ \$1.3800; 3 CARS 40# BLOCKS: 1 @ \$1.4300, 2 @ \$1.3800; OFFERS UNCOVERED: NONE

WEDNESDAY, FEBRUARY 16, 2005

CHEESE — SALES: 1 CAR 40# BLOCKS @ \$1.4400; BIDS UNFILLED: 2 CARS BARRELS: 1 @ \$1.3900, 1 @ \$1.3800; 3 CARS 40# BLOCKS: 1 @ \$1.4400, 1 @ \$1.4325, 1 @ \$1.4300; OFFERS UNCOVERED: NONE

BUTTER — SALES: 2 CARS GRADE AA @ \$1.6325; BIDS UNFILLED: NONE; OFFERS UNCOVERED: NONE

THURSDAY, FEBRUARY 17, 2005

CHEESE — SALES: NONE; BIDS UNFILLED: 4 CARS 40# BLOCKS: 1 @ \$1.4400, 2 @ \$1.3800, 1 @ \$1.3700; OFFERS UNCOVERED: NONE

FRIDAY, FEBRUARY 18, 2005

CHEESE — SALES: 17 CARS 40# BLOCKS: 3 @ \$1.4400, 1 @ \$1.4300, 6 @ \$1.4400, 1 @ \$1.4350, 1 @ \$1.4300, 4 @ \$1.4275, 1 @ \$1.4375; BIDS UNFILLED: 1 CAR BARRELS @ \$1.3800; 1 CAR 40# BLOCKS @ \$1.4250; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.4400

BUTTER — SALES: 38 CARS GRADE AA: 1 @ \$1.6225, 1 @ \$1.6175, 1 @ \$1.6000, 4 @ \$1.5975, 4 @ \$1.5950, 1 @ \$1.5925, 1 @ \$1.5900, 1 @ \$1.5800, 3 @ \$1.5700, 1 @ \$1.5650, 1 @ \$1.5625, 1 @ \$1.5600, 1 @ \$1.5550, 1 @ \$1.5500, 2 @ \$1.5450, 2 @ \$1.5475, 3 @ \$1.5500, 2 @ \$1.5525, 1 @ \$1.5575, 2 @ \$1.5600, 1 @ \$1.5625, 2 @ \$1.5900, 1 @ \$1.5800; BIDS UNFILLED: 2 CARS GRADE AA: 1 @ \$1.5475, 1 @ \$1.5425; OFFERS UNCOVERED: 2 CARS GRADE AA: 1 @ \$1.6050, 1 @ \$1.6075

**CME CASH NONFAT DRY MILK:** Extra Grade closed the week at \$0.9325 and Grade A at \$1.0000. (The last price change occurred February 8th.) The weekly average for Extra Grade is \$0.9325 (N.C.) and Grade A is \$1.0000 (+.0040).**BUTTER MARKETS****NORTHEAST**

The butter market is mixed, generally firm. At the CME, the cash butter price has (through 2/14) increased the last three trading sessions. However, there is some speculation that prices may not, short term, hold. Churning activity continues to be heavy and cream volumes are still more than ample. Eastern cream continues to be shipped to local and Midwestern butter makers for processing. Producer stocks are up slightly from year-ago levels, but there are still some concerns over supplies later in the year. Easter orders are slow to fair. Chronologically, Passover and Easter typically fall near each other, but this year Easter falls nearly a month earlier than Passover. This is having an impact on orders and packaging schedules. Demand for butter is mixed. Retail orders are steady at best and food service orders are unchanged. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 5.5 cents over the CME price/average.

**CENTRAL**

The current CME cash price has increased 2 1/4 cents since last Wednesday. The midweek price of \$1.6325 compares to \$1.6875 last year at this time. Producers and handlers continue to voice their concerns about this price in relationship to building inventories this early in the season, although they look back at last year and find that for the next 8 weeks or so, the cash price increased to the yearly high of \$2.3650 by mid April. Churning activity remains quite strong. Local and

out of area cream supplies continue to be made available to Central butter operations, although outside cream offerings are lighter. Churning activity is outpacing demand, thus inventories are increasing. Overall butter demand is fair as retailers prepare for the upcoming Easter and Passover holiday period. Bulk butter for spot sale is being reported in the 2 - 4 cents per pound range over various pricing basis.

**WEST**

The CME cash butter price has been mixed for the last four trading sessions and now stands at \$1.6325. Some contacts express surprise at the increase with cream offerings remaining heavy and butter sales slow at best. Other contacts believe that cream supplies are not as burdensome and they are seeing some interest in Easter promotions. Time will tell which set of ideas is the correct analysis. In general, churns do seem to be busier than planned for the middle of February. Butter is generally available for immediate sale. Some good orders are beginning to come in which are related to the upcoming Easter holiday. CME weekly butter stocks grew by 5.0 million pounds last week to stand at 48.2 million pounds. Over the last eight weeks of increases, the net change has been +42.8 million pounds compared to +37.0 million pounds last year, for the same period. At the end of week seven last year stocks were 94.4 million pounds. Bulk butter prices range from flat to 3 1/2 cents under based on the CME with various time frames and averages.

**NASS DAIRY PRODUCT PRICES****U.S. AVERAGES AND TOTAL POUNDS**

<u>WEEK ENDING</u>	CHEESE		NDM	BUTTER	DRY WHEY
	40# BLOCKS	BARRELS 38% MOISTURE			
FEBRUARY 12	1.6093	1.6112	0.8957	1.5947	0.2491
	9,416,744	9,656,724	16,601,027	3,348,582	10,759,170

Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

## CHEESE MARKETS

## NORTHEAST

Prices are, again, sharply lower on natural and process items, unchanged on Swiss. The cash CME prices (through 2/14) for block and barrel cheddar have lost \$.3375 and \$.3450, respectively since January 21. The CME price volatility since November 2004 has had an impact on demand/consumption. However, with prices now low enough, some buyers are reentering the market despite the fact that demand may have peaked prior to the Super Bowl. Cheese output in the Northeast is mostly steady. However, milk prices are expected to be higher in relationship to current, cheddar prices. Retail orders are a little improved now that prices are more attractive. Food service orders are mostly steady.

WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.5000-2.0150
Cheddar Single Daisies	:	1.4575-1.9325
Cheddar 40# Block	:	1.5750-1.8325
Process 5# Loaf	:	1.6100-1.8175
Process 5# Sliced	:	1.6300-1.8525
Muenster	:	1.6725-1.8750
Grade A Swiss Cuts 10 - 14#	:	2.4500-2.6500

## MIDWEST

The cheese market is steady with a firm undertone. At least short term, cheese demand has bounced back after three weeks of substantial cumulative price declines. Interest in replenishing depleted inventory and cheddar aging programs is generally moderate to good at current prices. A few traders expect cash prices at the Chicago Mercantile Exchange could rebound somewhat in the short term. Some suppliers are limiting sales just to regular accounts. Producer inventories, depending on variety, are generally declining. Spot availability is limited at many plants. Mozzarella interest is fair to often good as pizza producers try to stockpile supplies and rebuild working stocks. Current production remains little changed, much like milk receipts. Cheese makers lack interest in purchasing additional milk volumes just to make cheese at current milk and cheese prices. Cheese yields are steady to drifting lower seasonally.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,  
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.5800-2.0200
Brick And/Or Muenster 5#	:	1.9875-2.0000
Cheddar 40# Block	:	1.7875-2.2650
Monterey Jack 10#	:	2.0275-2.2650
Blue 5#	:	2.2825-2.7200
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.7325-2.3650
Grade A Swiss Cuts 6 - 9#	:	2.3500-2.9500

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS  
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

## BUTTER : CHEESE

	:	
02/14/05	29,585	: 124,345
02/01/05	23,991	: 124,557
CHANGE	5,594	: -212
% CHANGE	23	: N.C.

## WEST

Average CME weekly cash prices have declined sharply for the last two weeks. Blocks are again in the \$1.40's and many feel that the CWT program puts a bottom in the market at that level. Some argue the point by stating that possible shipments through that program are not large enough to influence the market. Cheese manufacturers continue to study their production options. Some are looking at selling some milk in February when they feel that the milk price versus cheese value do not look profitable. Other plants are wondering if it pays to put expensive NDM or condensed into the vat at this time. Demand for current natural cheese is beginning to increase slowly. Some buyers feel a bottom has been put in so there is no reason to wait any longer. Other buyers need cheese because they have held off for 3-4 weeks and their stocks are depleted. Older stocks of mozzarella seem to have cleared up very well earlier this winter. Current sales are not aggressive. Swiss production is down at some locations and sales activity has improved.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND  
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.5550-1.8125
Cheddar 40# Block	:	1.5550-1.9075
Cheddar 10# Cuts	:	1.7350-1.9550
Monterey Jack 10#	:	1.7450-1.9050
Grade A Swiss Cuts 6 - 9#	:	2.2500-2.7000

## FOREIGN

Prices are mostly unchanged on imported styles, sharply lower on domestic types. The market tone is about steady, but with lower prices on domestically made types, some buyers are showing renewed interest. Stocks are adequate to meet needs.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK  
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: TFEWR	: -0-
Blue	: 2.6400-4.6900	: 1.8150-3.3150*
Gorgonzola	: 3.6900-5.9400	: 2.3250-2.4900*
Parmesan (Italy)	: TFEWR	: 3.2200-3.3350*
Romano (Italy)	: 2.1000-3.1500	: -0-
Provolone (Italy)	: 3.4400-6.0900	: 1.8275-2.0500*
Romano (Cows Milk)	: -0-	: 3.0100-5.1750*
Sardo Romano (Argentina)	: 2.8500-3.2900	: -0-
Reggianito (Argentina)	: 2.6900-3.2900	: -0-
Jarlsberg-(Brand)	: 2.9500-4.0900	: -0-
Swiss Cuts Switzerland	: -0-	: 2.4500-2.6500
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: TFEWR	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.5600	: -0-
Gouda, Large	: TFEWR	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

\* = Price change.



## FLUID MILK AND CREAM

## EAST

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	0	148	0	126	0	96
SOUTHEAST STATES	0	0	0	0	0	0

Regional Milk Market Administrators announced the following, January 2005 uniform prices: Northeast \$16.31, Mideast \$15.22, Southeast \$17.16, Florida \$19.11 and Western New York (a state order) \$15.83 at the base city or county in the orders. (For the Northeast, Mideast, and Western New York orders, statistical uniform prices are reported.) Milk production is mostly steady in the Northeast and Middle Atlantic areas, generally increasing in the Southeast. Some contacts feel that the Southeast's increases are typical for this time of year and the beginning of the seasonal flush. Florida's milk supply is up seasonally and shipments out of state are increasing. Class I milk sales are level, but expected to be slower as many schools will be off for President's Day (2/21). Bottled milk sales in the north are also being affected by school closings. Several states have their schools closed either this week or next for scheduled vacations. Bottling schedules are often lighter. Surplus milk volumes are steady to heavier. More manufacturing is reported in the Southeast and more plants are operating more shifts/days than they were a few weeks ago. Plant schedules in the Northeast are little changed, but cheese makers are trying to reduce production due to the poor cheese/milk price relationship. The condensed skim market is showing a little more activity. With NDM prices increasing and availability a question mark, solids users are again looking to wet solids for anticipated needs. Spot prices are unchanged and few spot sales are noted for both Class II & III. The fluid cream market remains weak. Offerings are ample and spot Class II demand is sluggish. Prices are slightly lower as the CME average butter price declined about 1.5 cents last week. Suppliers report steady inquiries from ice cream makers and slightly improved demand from cream cheese makers. Cream cheese producers are starting to increase output along seasonal patterns. Typically, demand for cream cheese picks up for the Easter/Passover, but with Passover a month later than Easter this year, production increases have been delayed. Cream usage for cottage cheese is up slightly. Lent is often a period of good sales of cottage cheese. Churning activity remains heavy. Reports indicate that butter plants are not as full as they have been, but most remain "full enough."

## FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. PRODUCING PLANTS: NORTHEAST	-	1.8563-2.0500
DELIVERED EQUIVALENT ATLANTA	-	1.8725-2.0985 M 1.9370-2.0016
F.O.B. PRODUCING PLANTS: UPPER MIDWEST	-	1.9370-2.0985

PRICES OF CONDENSED SKIM, \$ PER LB SOLIDS

F.O.B. PRODUCING PLANTS:	
NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES	- .9800-1.0000
NORTHEAST- CLASS III - SPOT PRICES	- 1.0900-1.2000

## MIDWEST

Class I interest is steady to occasionally lighter. Lincoln's Birthday observance affected school milk needs and President's Day may affect some systems next week. Also, early this week, ice closed schools in parts of Michigan, causing extra milk to be diverted into manufacturing. Manufacturing milk demand remains sluggish at current cheese price levels compared to the Class III price estimate for February. However, a few operators are indicating improved cheese sales at current cheese prices though operators remain hesitant to make spot milk purchases. Reported spot manufacturing milk prices, on a limited test, range from \$0.75 to 1.00 over class, net fob. Cream demand is steady to weaker with

ice cream demand often still limited. The loss of 2 butter plants in the region continues to cause increased offerings to other users. Heavier inventory caused from sluggish ice cream sales last year and early this year has kept some operations on reduced schedules. Class II condensed skim sales are brisk at \$.98 - \$1.0150. Class III condensed skim interest remains weak though NDM users are concerned over the future availability of tight NDM supplies. Current milk intakes are steady to slightly higher seasonally through the upper sections of the region. Milk components are steady to slightly lower seasonally. Warmer temperatures melted much of the remaining snow cover. When combined with recent rain on frozen ground, flooding has occurred in some low lying areas.

## WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	FEB 10 - 16	PREVIOUS YEAR
SLAUGHTER COWS	\$ 52.50- 61.00	\$ 46.00- 51.00
REPLACEMENT HEIFER CALVES	\$250.00-490.00	\$310.00-410.00

## SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	FEB 10 - 16	PREVIOUS YEAR
SLAUGHTER COWS	\$ 50.00- 62.50	\$ 46.00- 52.90

## WEST

The March 2005 Class 1 prices in CALIFORNIA range from \$16.08 in the north to \$16.35 in the south. The statewide average Class 1 price based on production is \$16.13. The average is \$.86 higher than February 2005 and \$2.34 more than March 2004. Rainy conditions are again hitting most of CALIFORNIA. The storms are expected to be around the better part of the week. Most contacts are assuming that this will have a negative impact on milk production. Milk was just starting to rebound from the previous wet cycle. Some reports of lower tests on incoming milk shipments are noted. Milk is moving around the state to get out of plants that don't want as much milk and into those that need more. Producers are searching for heifers to put into their expanded facilities. They are hard to find and expensive. Many producers are indicating that they will need new crop hay supplies as soon as they become available, especially from the southern part of the state. CREAM supplies remain readily available with most of it entering churns eventually. Other users don't seem to have much interest at this time of year and at these prices. Butter prices at the cash CME market closed at \$1.6325 on February 16, up 2 1/4 cents from last week. Cream multiples range from 110-125, FOB and vary depending on basing points. Conditions remain wet and not entirely conducive to milk production growth in the SOUTHWEST. Heavy rain, road flooding and mudslides were noted over the weekend in parts of the region. Some areas received as much as 2 inches of rain in one day when their season total is normally 7 1/2 inches. Producers are wondering if the wet conditions will blunt the spring flush. Conditions remain warm and dry in the PACIFIC NORTHWEST. The milk flow is being reported as about steady. Some are noting declining tests on incoming milk receipts. Heifers are not available to all the producers that are looking and some have stopped searching. Some contacts are stating that hay supplies will become much more of a problem in about a month as supplies of old crop dairy quality hay dwindle. More talk is noted about the possibilities of short water supplies for the upcoming crop season. There is very little snow in the Cascades. More snow and cold temperatures are noted in UTAH and IDAHO. Temperatures way below zero are common this week in some of the dairy areas. Snow cover is growing and had been on the ground in much of Utah since early January. Idaho is not as bad and milk supplies are about steady. The winter situation in the region is taking more hay than some producers had expected and their stocks are dwindling. Area hay growers are near fully committed. Some cheese operations in the region are reporting improving sales activity and are looking for additional supplies of milk.

**NDM, BUTTERMILK & WHOLE MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**NONFAT DRY MILK - CENTRAL AND EAST**

**CENTRAL:** Prices are higher on a firm market. Supplies are extremely limited with some suppliers reporting that additional loads will not be available until April or May. Seasonal dryers are producing additional supplies of NDM for the strong interest. Brokers are trading 3 year old NDM from CCC programs at prices near the lower end of the range. Most movement is occurring on a contractual basis. Some cheese producers are hesitantly taking in loads given recent NDM price increases and lower reported cheese prices. However, since future trends of both cheese and NDM are uncertain, most buyers are retaining NDM shipments and supplies. Off grade NDM is limited in supply for the good interest.

**EAST:** The market tone remains firm and prices are often fractionally higher. Production levels are moderate in the East and, at times, lagging contract delivery schedules. Some producers are having difficulty catching up with orders and are not taking any new spot orders. Other producers do have some inventory, but volumes are light. Some plants are making medium heat NDM to fill export orders. Little high heat is being made at this time and contacts still comment that high heat sales are not up to anticipated levels. Condensed skim demand seems to be improving, which further reduces drying schedules. Demand for NDM is generally good. Spot buyers are often having to find powder in the resale market and prices are often at or above \$1.00. Fewer and fewer reports about "the old" NDM once in CCC warehouses are being noted and the sales that are reported are taking place above \$.90.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .9100 - 1.0000 MOSTLY: .9350 - .9500  
 HIGHHEAT: .9450 - 1.0850

**NONFAT DRY MILK - WEST**

The price range for low/medium heat powder has narrowed, but the market remains firm. Mostly prices moved higher as lead times on new orders stretch out to 3-4 weeks. Many buyers, even regular accounts, are not able to get the powder they normally order in a timely basis. New account buyers are generally out of luck. Production levels range from steady to somewhat heavier. Some buyers are searching for older commercial or government powder without much luck there either. Cheese plants seem to be taking a little less powder at this time, but that may be just a short run phenomenon. High heat powder prices also continue to show some strength. Production and sales are balanced at lower than anticipated levels.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A  
 LOW/MEDIUMHEAT: .8975 - .9800 MOSTLY: .9000 - .9500  
 HIGHHEAT: .9300 - .9700

**CALIFORNIA MANUFACTURING PLANTS - NDM**

WEEK ENDING	PRICE	TOTAL SALES	SALES TO CCC
February 11	\$.8858	7,968,022	0
February 4	\$.8827	9,340,447	0

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

**DRY BUTTERMILK - CENTRAL**

Prices are higher on a firm market. Trade activity is light in response to limited supply availability. Due to increased churn activity at some locations, production is higher. Condensed buttermilk is slowly clearing into ice cream facilities. Extra loads of dry buttermilk produced are readily purchased by the trade as a substitute to NDM or held with confidence by producers in order to satisfy contracts. Dry buttermilk is expected to remain limited at least until supplies of NDM ease.

F.O.B. CENTRAL: .9450 - .9975

**DRY BUTTERMILK - NORTHEAST AND SOUTHEAST**

Prices are again steady to higher. The market tone is firming. Some contacts report receiving more inquiries in the past month than they have in the prior 5-6 months. Apparently, both users and speculators are looking for dry buttermilk to carry them through the expected short-supply times later this year. Despite the improving demand, sales activity this week was a little slower than the past two weeks. Eastern churning activity remains heavy. Dry buttermilk production continues to be moderate due to the ongoing demand for condensed/liquid buttermilk. Powder stocks are in better balance.

F.O.B. NORTHEAST: .9300 - .9400  
 DELVD SOUTHEAST: .9600 - .9800

**DRY BUTTERMILK - WEST**

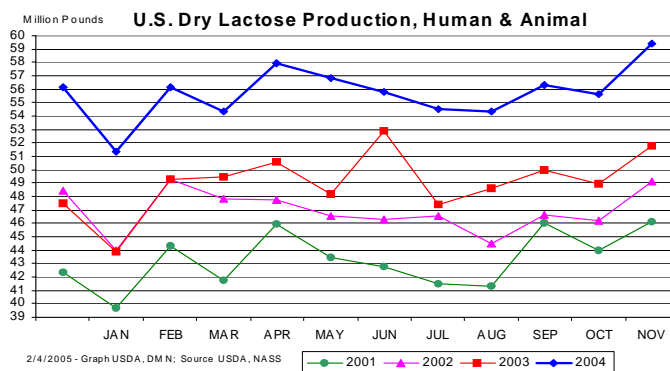
Western buttermilk prices range from steady to increasing slowly. The market undertone continues to show firmness. Trading volumes are not quite as heavy as was noted over the past few weeks. A number of sellers report being close to cleaned out on any inventories. Two factors are being floated to explain the increasing interest. The first is the strength in the NDM markets and the second is that spring type demand issues for various products are fast approaching. Churning activity remains heavy for this time of year.

F.O.B. WEST: .9100 - .9425 MOSTLY: .9125 - .9200

**DRY WHOLE MILK - NATIONAL**

Prices are unchanged and the market tone is little changed. Production levels remain light and plant stocks are balanced. Demand is fair and prices remain nominal. Imported dry whole milk is in tighter supply and selling at competitive prices.

F.O.B. PRODUCING PLANT: 1.2600 - 1.3800



**WHEY, CASEIN & EVAPORATED MILK**

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

**DRY WHEY - CENTRAL**

Prices are mixed on a mostly steady market. Multiple load shipments are available to some traders at a discount. However, to other traders and/or end-users whey is trading at a premium for the good domestic and export interest. Production is steady. Stocks are reported as in balance yet some suppliers are reportedly encouraging end-users to pick up their loads as soon as possible to increase warehouse space. Offerings are heavier than the week prior.

F.O.B. CENTRAL: .2375 - .2525 MOSTLY: .2400 - .2450

**DRY WHEY - NORTHEAST AND SOUTHEAST**

Prices are steady and the market tone is unchanged. To most contacts, it has been a particularly long period for dry whey prices to hold steady. With many Eastern producers in a closely balanced to sold out position and with relatively light production, many wonder why prices are not increasing. Eastern cheese and dry whey production is light to moderate. Some cheese makers are, for the second time in several months, not taking too much extra milk due to the inverse cheese price and Class III milk price relationship. However, some contacts are reporting steady output and are easily clearing their dry whey via the export market. Domestic demand is steady.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .2475 - .2650  
DELVD SOUTHEAST: .2700 - .2825

**DRY WHEY - WEST**

The Western whey market is generally steady with a firm undertone. Demand is good enough to continue to clear offerings in a timely fashion. Export demand is good with some new or increased interest noted. Domestic sales are steady. Production is steady with little increase noted as cheese output continues at unchanged levels. Inventories at the producer level are generally in balance.

NONHYGROSCOPIC: .2500 - .2800 MOSTLY: .2600 - .2675

**ANIMAL FEED WHEY - CENTRAL**

Prices are higher on a steady to firm market. Some buyers that were waiting for Extra Grade whey prices to decrease are seeking additional product in the milk replacer whey market. Extra Grade whey suppliers are predominantly reporting tight supplies to feed whey buyers. Supplies of milk replacer whey are limited for the good interest. Veal trade is steady while early weaned pig prices are unchanged to lower.

F.O.B. CENTRAL:  
MILK REPLACER: .2100 - .2325

**Commencing Report 15 (April 8, 2005), Dairy Market News will be publishing a Dry Whey Permeate market. The pricing series will include an F.O.B. range for the Central and West region. Specifications are listed below.**

Moisture content. Not more than 5 percent. Milkfat content. Not more than 1.5 percent. Protein content. Not less than 2 percent and not more than 6 percent. Lactose content. Not less than 70 percent. Ash content. Not more than 10 percent.

**Commencing Report 15 (April 8, 2005), Dairy Market News will be reporting the Animal Feed Whey-Central Milk Replacer price series within the Dry Whey Central report. The Dry Whey Central Extra Grade price series will remain unchanged.**

Comments regarding changes in Dairy Market News Reports can be directed to: Don Nelson, P.O. Box 8911, Madison, WI 53708, Email: DonaldO.Nelson@usda.gov, Phone: 608-224-5079, Fax: 608-224-5078

**WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST**

Prices are unchanged to higher on a firm market. Trade activity is extremely light. Most trade is occurring on the resale market with offers above the high side of the range being met with resistance. Production is steady and stocks are limited. Contractual shipments are being shorted with some importers reporting shipment delays by as much as a month. Inquiries are noted from Asia and Mexico. Canadian supplies are being offered as a substitute to domestic WPC 34% at premium prices. Depending on the source and location, WPC 80% is trading competitively with WPC 34%. Off grade supplies of WPC 80% are available for the fair feed interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .7475 - .7875 MOSTLY: .7475 - .7575

**LACTOSE - CENTRAL AND WEST**

Prices are unchanged on a steady market. Trade activity is mixed. Unconfirmed reports of trades below the range are noted. Lower mesh size lactose is trading into feed facilities at prices near the lower end of the range. Brand specific and/or higher mesh size product is trading at or above the average for the fair interest. Inquiries for higher mesh size lactose are noted from the EU and Asia. Permeate prices are reportedly more competitive with lactose than in previous weeks. Production of lactose is steady. Inventories are mostly reported as in balance. Feed grade lactose is available for the light to fair interest.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1575 - .2100 MOSTLY: .1600 - .1900

**CASEIN - NATIONAL**

Casein markets remain firm with prices unchanged to sharply higher. A U.S. supplier adjusted their prices by 9%. Stocks remain in very close balance and often short of full needs. Acid casein remains in the tightest position. Last week, the EU Dairy Management Committee reduced the manufacturing aid for casein by 52%. European producers and handlers report that this will basically increase future prices. The Commodity Credit Corporation (CCC) issued invitation #038, to buy from CCC, approximately 2 million pounds of government owned nonfat dry milk for the production of casein/caseinate. Bids were due on February 17, with public notice of the outcome of this invitation on February 22. In early January, under invitation #037, all bids were rejected at \$3.860 per pound. The most recent sale was under invitation #036 in December at \$4.600 per pound.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 3.2700 - 3.3000  
ACID: 3.2700 - 3.3500

**EVAPORATED MILK - NATIONAL**

Prices and the market tone are unchanged. The market remains highly competitive. Production patterns are mostly steady and producer stocks are being replenished. Demand is slow to fair. The Kansas City Commodity office announced the issuance of EVD-1, invitation 830 inviting competitive offers to sell to CCC 5,067,360 pounds of evaporated milk for delivery April - June 2005. Offers are due by 9:00 a.m. CST, February 22, 2005.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$22.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

## CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	02/02	02/03	02/04	02/07	02/08	02/09	02/10	02/11	02/14	02/15
<b>CME - (CLASS III) MILK FUTURES -- Dollars per cwt</b>										
JAN 05	14.21 (3053) 0	14.21 (2777) 0	14.14							
FEB 05	15.09 (4158) 204	15.10 (4132) 228	14.90 (4125) 110	14.75 (4087) 115	14.65 (4066) 104	14.72 (4082) 52	14.75 (4096) 105	14.75 (4068) 34	14.75 (4067) 1	14.79 (4105) 11
MAR 05	13.70 (3788) 447	13.91 (3968) 491	13.80 (4224) 482	13.67 (4443) 482	13.61 (4607) 639	13.68 (4628) 192	13.80 (4635) 256	13.84 (4632) 177	13.75 (4615) 85	13.82 (4688) 307
APR 05	13.84 (2873) 78	13.79 (2856) 101	13.60 (2862) 27	13.48 (2872) 31	13.55 (2877) 242	13.75 (2914) 63	13.92 (2943) 103	13.97 (2921) 128	14.07 (2907) 132	14.25 (2878) 161
MAY 05	13.60 (2343) 133	13.60 (2340) 29	13.45 (2328) 43	13.35 (2336) 58	13.52 (2346) 45	13.62 (2356) 106	13.80 (2355) 55	13.90 (2341) 83	13.97 (2390) 134	14.21 (2370) 113
JUN 05	13.50 (1952) 32	13.75 (1951) 20	13.60 (1955) 7	13.53 (1962) 30	13.65 (1998) 144	13.70 (2017) 59	13.85 (2013) 19	13.90 (2035) 48	13.89 (2094) 89	14.10 (2074) 76
JUL 05	13.99 (1773) 16	14.00 (1773) 9	13.94 (1776) 8	13.89 (1784) 10	13.98 (1835) 146	14.05 (1831) 4	14.02 (1882) 121	14.75 (1942) 94	14.45 (1954) 29	14.55 (1959) 6
AUG 05	14.10 (1863) 67	14.13 (1867) 4	14.12 (1867) 5	14.07 (1870) 3	14.00 (1902) 110	14.12 (1899) 5	14.10 (1964) 140	14.84 (2030) 94	14.64 (2038) 15	14.64 (2044) 6
SEP 05	14.09 (1817) 18	14.15 (1831) 14	14.15 (1832) 6	13.85 (1841) 9	14.15 (1868) 91	14.24 (1864) 8	14.22 (1946) 148	14.78 (2002) 111	14.65 (2015) 24	14.67 (2024) 9
OCT 05	13.50 (1209) 5	13.47 (1211) 3	13.47 (1213) 5	13.47 (1228) 47	13.50 (1263) 63	13.54 (1245) 25	13.50 (1279) 56	13.80 (1290) 18	13.75 (1299) 22	13.85 (1299) 5
NOV 05	12.97 (818) 5	12.97 (825) 12	12.85 (830) 6	12.80 (845) 26	12.85 (869) 42	12.89 (854) 24	12.88 (904) 53	13.10 (925) 28	13.03 (951) 30	13.11 (951) 0
DEC 05	12.74 (842) 9	12.75 (842) 0	12.74 (847) 6	12.70 (857) 22	12.75 (877) 40	12.75 (856) 30	12.70 (858) 6	12.85 (879) 30	12.85 (893) 24	12.98 (893) 0
JAN 06	12.60 (65) 3	12.60 (70) 5	12.60 (70) 0	12.60 (70) 2	12.60 (78) 10	12.60 (78) 4	12.55 (78) 0	12.55 (93) 23	12.65 (93) 4	12.65 (98) 12
FEB 06	12.60 (49) 2	12.60 (49) 5	12.60 (49) 0	12.60 (48) 3	12.60 (49) 1	12.60 (45) 4	12.55 (45) 0	12.55 (57) 12	12.55 (69) 12	12.60 (75) 16
MAR 06	12.60 (41) 2	12.60 (41) 5	12.60 (41) 0	12.60 (42) 3	12.60 (42) 1	12.60 (42) 4	12.55 (42) 0	12.55 (49) 12	12.55 (58) 12	12.65 (63) 15
APR 06	12.50 (33) 1	12.50 (33) 0	12.50 (33) 0	12.50 (35) 4	12.50 (35) 1	12.50 (35) 4	12.50 (35) 0	12.50 (42) 12	12.55 (47) 13	12.65 (56) 14
MAY 06	12.50 (30) 6	12.50 (30) 0	12.50 (30) 0	12.50 (31) 3	12.50 (31) 1	12.50 (33) 4	12.50 (33) 0	12.50 (37) 12	12.55 (45) 13	12.65 (52) 15
JUN 06	12.50 (22) 0	12.50 (22) 0	12.50 (22) 0	12.50 (21) 2	12.50 (22) 1	12.50 (22) 0	12.50 (22) 0	12.50 (32) 10	12.50 (34) 13	12.58 (44) 15
JUL 06	12.95 (12) 0	12.95 (12) 0	12.95 (12) 0	12.95 (12) 0	12.95 (12) 1	12.95 (12) 0	12.95 (12) 0	12.95 (17) 10	12.95 (24) 10	12.95 (26) 2

**CME - (CLASS IV) MILK FUTURES - Dollars per cwt.**

JAN 05	12.35 (9) 0	12.35 (9) 0	12.52							
FEB 05	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (9) 0	12.50 (10) 2
MAR 05	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0	12.50 (7) 0
APR 05	13.00 (8) 0	13.00 (8) 0	13.00 (8) 0	13.00 (8) 0	13.00 (8) 0	13.00 (8) 0	13.00 (8) 0	13.00 (8) 0	13.00 (8) 0	13.00 (8) 0
MAY 05	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0
JUN 05	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0	13.00 (5) 0
SEP 05	13.00 (1) 0	13.00 (1) 0	13.00 (1) 0	13.00 (1) 0	13.00 (1) 0	13.00 (1) 0	13.00 (1) 0	13.00 (1) 0	13.00 (1) 0	13.00 (1) 0
OCT 05	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0	12.25 (5) 0
NOV 05	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0	12.25 (6) 0

**CME - BUTTER FUTURES -- Cents per pound**

MAR 05	166.00 (256) 4	165.25 (256) 1	165.75 (265) 19	161.00 (273) 10	161.00 (269) 10	164.00 (269) 11	165.00 (265) 9	165.50 (265) 0	165.50 (265) 0	165.50 (265) 2
MAY 05	165.00 (167) 1	166.00 (167) 0	166.00 (172) 7	161.25 (174) 3	161.50 (175) 4	165.00 (176) 2	166.00 (180) 5	166.00 (183) 3	166.00 (183) 0	166.00 (183) 0
JUL 05	165.00 (123) 0	165.00 (125) 4	165.00 (139) 14	162.00 (142) 4	162.50 (145) 5	165.00 (145) 0	166.00 (145) 3	166.50 (145) 0	166.50 (145) 1	166.50 (145) 0
SEP 05	167.00 (65) 0	167.00 (67) 3	165.25 (70) 5	161.50 (75) 6	163.50 (75) 1	165.00 (79) 4	167.00 (80) 1	168.00 (80) 0	168.00 (81) 1	168.00 (83) 2
OCT 05	166.00 (31) 0	166.00 (33) 2	165.00 (37) 4	162.00 (38) 2	162.00 (38) 0	163.50 (38) 2	165.00 (39) 2	166.75 (39) 0	166.75 (39) 0	166.75 (39) 0

1/ At the CME open interest for milk -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088.



## INTERNATIONAL DAIRY MARKET NEWS

Information gathered February 7 - 18, 2005

Prices are U.S. \$/MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

## WESTERN AND EASTERN EUROPE

**WESTERN EUROPEAN OVERVIEW:** Milk production in Western Europe continues to increase gradually. This year, more milk producers are not monitoring their milk quota marketings as closely as in previous years as the quota yearend nears. Overall milk production in Europe is reported to be trailing last year. Some milk handlers and producers attribute lighter milk volumes to fewer dairy animals. Up to this point during the winter season, weather conditions have been milder than in previous years, although in recent days, temperatures have dropped and winter conditions are more apparent. Some handlers and producers feel that these conditions may curtail or stabilize the growth that some were reporting and are hopeful that these winter conditions will not be prolonged. Prices for manufactured dairy products in Europe have been weak since the first of the year, but traders and handlers feel that a bottom of the current cycle may have been attained and, in instances, slight up-ticks in prices are being reported. International sales activity remains light. Traders indicate that buyers are shopping for the best price with few sales being finalized for April/May delivery. Stocks of manufactured dairy products are available and will become more available as the milk production season resumes. Shipments of recent international sales out of the U.S. are occurring. Knowing the international supply situation, tighter U.S. supplies and firmer prices, European traders are now questioning if firmer prices and continued buyer interest might activate USDA'S Dairy Export Incentive Program (DEIP) program.

**BUTTER/BUTTEROIL:** European butter markets are basically steady with prices unchanged. Stocks of butter are available for immediate shipments, although buyer interest is not that aggressive. Butter production is strong where cream supplies are available with butter oil supplies less available. Current cream availability is clearing through the churn versus other uses. On February 10, at the most recent Dairy Management Committee meeting, the common refund for butter was cut by 55 Euros to 1310 with butteroil being reduced by 35 Euros to 1630.

82% BUTTERFAT: 1,900 - 2,050  
99% BUTTERFAT: 2,050 - 2,450

**SKIM MILK POWDER (SMP):** Skim milk powder markets are unsettled with prices generally unchanged. Some traders and handlers feel that a bottom in the recent price decline may have been attained, with some reporting slight increases. Stocks of powder are available, but sizable orders for immediate need would be difficult to fill. Supplies are sufficient to meet February/March deliveries with inquiries centering around April/May deliveries. New buyer interest is occurring, but many traders report that most buyers are still shopping. At the most recent Dairy Management Committee, the common refund for skim milk powder was unchanged at 280 Euros per MT.

1.25% BUTTERFAT: 2,100 - 2,250

**WHOLE MILK POWDER (WMP):** European whole milk powder markets are steady at unchanged prices. Traders and handlers feel that since the first of the year, prices have weakened to current levels and that a low might be at hand. Stocks are not excessive, although available for potential buyer interest. Significant demand could not be filled immediately but as milk production gains momentum, traders are taking these potential supplies into consideration during negotiations for April/May deliveries. On February 10, the Dairy Management Committee reduced the common refund for whole milk powder by 44 Euros (6.3%) to 656.

26% BUTTERFAT: 2,175 - 2,275

**SWEET WHEY POWDER:** Whey powder markets remain weak although prices held steady. Stocks of whey powder are available for domestic and international buyer interest. Cheese production remains quite active for this time of the season thus new whey stocks are being generated at a faster rate than is typical for this time of the year. International buyers appear to be steering away from European supplies at this time as prices are often higher than they are willing to pay.

NONHYGROSCOPIC: 550 - 650

**EASTERN EUROPEAN OVERVIEW:** More typical winter weather conditions are being reported in areas of Eastern Europe than earlier this season. Up to this point, milk production has been maintaining low levels, but close to resuming seasonally. Handlers and producers are now concerned if these conditions might take out the early season momentum which is needed for a

## OCEANIA

**OCEANIA OVERVIEW:** The milk production season in Oceania continues to decline. In New Zealand, producers are hopeful that they will be able to recover some of the first half of the season losses as the season winds down. Recent figures indicate that milk volumes in New Zealand were down 5% during the first half of the year. At this point, some milk handlers and producers feel that they will be able to recover some of the losses, but are not overly optimistic that they will be able to fully recover. In Australia, milk production figures for the first half of the season (July - December) indicate that cumulative production is down 0.9% when compared to the comparable months in 2003. This cumulative difference continues to narrow. December monthly production realized a 0.5% increase over last December. This was the first positive month for production since September. In Victoria, the major dairy producing region of the country, December output was up 2.3% when compared to last December and is 0.8% ahead of last season for the first six months. No significant changes are being reported in the supply and price situation in Oceania. Traders and handlers continue to report that supplies are in very close balance with demand and often lighter than most desire. At this point, stocks are fully committed to regular and ongoing customers' needs with minimal, if any, available for spot or new buyer interest. Most handlers and traders are hopeful that they will have sufficient stocks to fully acknowledge their commitments as the milk production season winds down.

**BUTTER:** Oceania butter markets are generally steady with prices unchanged to slightly higher on the low end of the reported range. Butter production in the region is reported to be running behind last season, thus stocks of butter are often lighter than desired. Butter producers and handlers indicate that production is keeping pace with commitments, but feel that they will not have any additional stock available for spot buyer interest or seasonal carryover.

82% BUTTERFAT: 2,025 - 2,400

**CHEDDAR CHEESE:** As with most Oceania dairy products, cheese markets and prices remain steady at firm levels. Demand for cheese continues to center around regular and ongoing customer needs. Stocks are sufficient to meet this demand, although surplus stocks for spot or additional demand are limited. Traders and handlers are not reporting additional buyer interest at this time as most international buyers appear to be aware of the Oceania supply situation.

39% MAXIMUM MOISTURE: 2,650 - 2,900

**SKIM MILK POWDER (SMP):** Skim milk powder markets are generally steady at unchanged prices. Stocks of Oceania powder are in close balance and, in instances, short of immediate needs. Producers and handlers remain confident that they will be able to fully acknowledge commitments by the end of the milk production season.

1.25% BUTTERFAT: 2,150 - 2,300

**WHOLE MILK POWDER (WMP):** Oceania whole milk powder markets are steady at firm/unchanged prices. Stocks of powder are in close balance with demand and, in instances, lighter than desired for this time of the season. Although milk production is declining seasonally, producers, handlers, and traders remain optimistic that they will be able to acknowledge commitments.

26% BUTTERFAT: 2,150 - 2,400

Exchange rates for selected foreign currencies: February 14, 2004

.8104 Canadian Dollar	.0229 Indian Rupee
.3441 Argentina Peso	.7145 New Zealand Dollar
.0897 Mexican Peso	.7883 Australian Dollar
.3237 Polish Zloty	.0096 Japanese Yen
	1.2959 Euro

To compare the value of 1 US Dollar to Mexican Pesos: (1/.0897)= 11.1483  
That is 1 US Dollar equals 11.1483 Mexican Pesos. Source: "Wall Street Journal"

**EASTERN OVERVIEW CONTINUED:** good production season overall. Available stocks of Eastern European dairy products are low, but available should buyers return to the market. As in Western Europe, Eastern European producers and handlers are looking forward to the new milk production season as a time for them to re-establish workable inventories and resume sales activity.



**TOTAL COW SLAUGHTER UNDER FEDERAL INSPECTION, UNITED STATES, 2002 TO 2004  
(THOUSAND HEAD)**

2002			2003			2004		
Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows	Week Ending	All Cows	Dairy Cows
Jan 5	101.2	47.4	Jan 4	97.6	48.1	Jan 3	82.8	35.3
12	129.3	59.5	11	131.5	63.7	10	105.7	48.8
19	120.6	56.1	18	130.8	63.8	17	118.2	56.9
26	107.3	51.2	25	119.7	59.3	24	114.8	55.3
Feb 2	103.0	50.4	Feb 1	114.3	55.0	31	96.9	50.3
9	102.3	49.7	8	118.9	58.4	Feb 7	95.8	50.1
16	104.9	51.4	15	112.8	57.8	14	99.3	50.8
23	104.8	49.3	22	109.6	53.5	21	99.6	52.6
Mar 2	97.2	48.0	Mar 1	108.7	56.9	28	100.0	52.4
9	98.1	49.7	8	117.4	59.9	Mar 6	97.3	50.8
16	107.5	48.4	15	121.3	61.1	13	94.3	45.9
23	104.2	48.6	22	121.9	62.9	20	95.0	48.6
30	100.7	46.4	29	108.6	54.1	27	96.6	47.2
Apr 6	99.2	47.8	Apr 5	111.4	56.4	Apr 3	91.8	43.2
13	104.6	48.0	12	109.1	53.8	10	86.8	39.3
20	103.7	48.1	19	113.2	54.1	17	89.1	42.0
27	101.7	46.1	26	112.3	53.8	24	96.0	41.8
May 4	98.4	46.3	May 3	112.0	53.5	May 1	95.0	40.0
11	98.9	44.4	10	112.8	52.7	8	94.1	39.6
18	103.9	44.4	17	112.2	51.7	15	96.9	42.3
25	108.7	47.2	24	112.7	50.3	22	97.5	40.9
Jun 1	91.6	39.2	31	101.5	44.1	29	103.3	43.4
8	108.1	46.1	Jun 7	123.0	54.5	Jun 5	83.0	37.0
15	104.4	46.2	14	113.0	50.8	12	93.4	41.6
22	109.7	46.6	21	105.9	47.0	19	97.1	41.0
29	110.6	48.1	28	104.7	46.7	26	92.8	40.7
Jul 6	87.9	39.1	Jul 5	88.2	41.3	Jul 3	90.2	39.5
13	107.5	49.7	12	110.1	52.3	10	72.3	34.5
20	109.2	49.6	19	113.2	49.9	17	95.8	42.8
27	105.7	47.6	26	110.3	50.5	24	96.8	47.7
Aug 3	105.7	48.4	Aug 2	110.7	51.0	31	93.3	43.3
10	101.8	46.9	9	113.6	52.7	Aug 7	95.4	45.0
17	106.4	48.7	16	120.0	53.6	14	92.3	45.9
24	110.6	50.2	23	119.2	52.6	21	93.1	45.0
31	113.8	53.9	30	115.9	53.3	28	93.1	46.2
Sep 7	99.8	47.8	Sep 6	101.6	49.9	Sep 4	100.7	48.8
14	110.3	51.8	13	118.9	55.7	11	82.3	40.3
21	112.2	53.7	20	122.5	58.6	18	98.4	46.0
28	115.1	54.6	27	125.7	61.9	25	98.7	45.6
Oct 5	114.6	52.5	Oct 4	121.7	59.5	Oct 2	97.1	45.5
12	115.3	53.3	11	114.6	57.0	9	97.2	45.6
19	116.7	51.8	18	123.2	61.2	16	97.6	45.0
26	123.3	54.1	25	135.3	64.4	23	107.4	48.3
Nov 2	125.7	56.2	Nov 1	132.1	60.1	30	108.1	47.6
9	121.7	57.1	8	127.1	59.3	Nov 6	105.8	47.3
16	124.3	55.7	15	130.0	60.0	13	110.0	46.8
23	125.4	56.0	22	133.4	62.0	20	106.1	45.9
30	101.1	46.4	29	97.5	44.3	27	80.1	34.7
Dec 7	122.2	58.3	Dec 6	128.6	61.1	Dec 4	107.1	51.5
14	124.4	58.4	13	128.0	59.8	11	111.2	51.5
21	123.1	58.0	20	122.4	58.5	18	109.2	54.4
28	83.6	38.9	27	80.6	37.5	25	86.0	41.8

**SOURCE:** The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service and the National Agricultural Statistics Service, all of USDA.

## THE DAIRY OUTLOOK

### Dairy Heifer Shortage Eases

Dairy replacement heifers (500 pounds or more) totaled 4.1 million on January 1, up 3 percent from a year earlier. The number of replacement heifers per 100 cows stood at a record 45.9. Heifers expected to calve in 2005 were also up 3 percent. Even without availability of Canadian heifers, replacement of more than 31 percent of the cow herd should be possible in 2005.

Larger replacement supplies have affected heifer prices—but only slightly. Replacement prices in January were down about \$100 from last summer's peak but still up more than \$200 from a year earlier. Strong heifer demand has limited price declines. Replacement prices in 2005 are likely to stay high, although some additional easing is possible. Culling rates in recent years have been much higher than in earlier years, largely offsetting the growing heifer herd. In addition, the tight 2004 heifer supplies probably resulted in retention of some marginal cows that should have been culled then and will be this year.

Still-high 2005 replacement prices probably will mute the influence of slaughter cow prices on milk cow numbers. The difference between heifer prices and salvage value averaged more than \$900 per head in 2004 and probably will stay relatively large in 2005 as both values slip a bit. At such large differences, the marginal effects of changes in cull cow prices are trivial. Heifer growers evidently remain optimistic about longer term prospects for heifer prices as Wisconsin prices for heifer calves have remained about \$300-\$600.

### DAIRY FORECASTS (Calendar year basis)

	2004	2005				
	ANNUAL	I	II	III	IV	ANNUAL
Milk cows (thous.)	9,009	8,980	8,960	8,945	8,940	8,955
Milk per cow (pounds)	18,924	4,835	5,000	4,780	4,790	19,405
<b>Milk production (bil. pounds)</b>	170.5	43.4	44.8	42.8	42.8	173.8
<b>Commercial use (bil. pounds)</b>						
milkfat basis	175.8	42.7	44.0	45.3	46.0	178.0
skim solids basis	173.2	43.7	44.4	44.3	44.2	176.6
<b>Net removals (bil. Pounds)</b>						
milkfat basis	-0.1	0.0	0.0	0.0	0.0	0.0
skim solids basis	1.3	0.0	0.1	0.3	0.5	0.8

**Source:** "Livestock, Dairy, and Poultry Outlook," LDP-M-128, February 15, 2005, Economic Research Service, USDA, Washington, DC. For more information, contact James J. Miller, (202) 694-5184.

## FEDERAL MILK ORDER PRICE AND POOL SUMMARY, JANUARY

**HIGHLIGHTS:** Handler reports of receipts and utilization under the Federal milk order system for January have been filed and tabulated. Combined totals for the 10 orders are being released. During January, about 10.2 billion pounds of milk were received from producers. This volume of milk is 0.2 percent higher than the January 2004 volume on a comparable market basis. (There were no volumes of milk not pooled due to intraorder disadvantageous price relationships in either year.) About 3.9 billion pounds of producer milk were used in Class I products, 3.0 percent lower than the previous year on a comparable market basis. Calendar composition had a negative impact on milk used in Class I in 2005 as compared to 2004. The all-market average Class utilization percentages were; Class I = 38%, Class II = 12%, Class III = 38%, and Class IV = 12%. The weighted average statistical uniform price was \$15.63 per cwt., \$0.37 lower than last month, and \$2.78 higher than last year.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF JANUARY 2005										
FEDERAL MILK ORDER MARKETING AREA <u>1/</u>	ORDER NUMBER	RECEIPTS OF PRODUCER MILK		UTILIZATION OF PRODUCER MILK IN CLASS I			UTILIZATION OF PRODUCER MILK IN OTHER CLASSES			UNIFORM PRICE <u>2/</u>
		TOTAL	CHANGE FROM PREV. YEAR	TOTAL	CHANGE FROM PREV. YEAR	PERCENT	CLASS II	CLASS III	CLASS IV	
		MIL. LBS.	PERCENT	MIL. LBS.	PERCENT		PERCENT			\$ PER CWT.
Northeast (Boston)	001	2,000.5	0.4	913.3	-3.3	46	19	23	12	16.31
Appalachian (Charlotte)	005	559.4	-1.7	369.6	-6.0	66	15	7	12	17.34
Southeast (Atlanta)	007	656.0	0.0	405.6	-1.6	62	10	13	15	17.16
Florida (Tampa)	006	269.9	2.9	228.5	0.6	85	7	4	4	19.11
Mideast (Cleveland)	033	1,558.5	3.0	552.5	-5.4	35	15	45	5	15.22
Upper Midwest (Chicago)	030	2,240.2	1.4	380.9	-2.9	17	5	70	8	14.53
Central (Kansas City)	032	1,250.1	-2.0	375.9	-2.8	30	10	50	10	14.95
Southwest (Dallas)	126	797.7	-0.1	353.2	-2.3	44	12	24	20	16.04
Arizona-Las Vegas (Phoenix)	131	251.7	-4.5	83.5	-1.6	33	11	33	23	15.09
Pacific Northwest (Seattle)	124	589.1	-4.1	191.0	3.2	32	6	30	32	14.73
<b>ALL MARKET AVERAGE OR TOTAL</b>	<u>3/</u>	10,173.1	0.2	3,854.1	-3.0	38	12	38	12	15.63

1/ Names in parentheses are the major city in the principal pricing point of the market.

2/ Statistical uniform price for component pricing orders (Class III price plus producer price differential). For other orders, uniform skim milk price times 0.965 plus uniform butterfat price times 3.5.

3/ Percent changes from the previous year are based on the same group of comparable markets—markets where the orders were in effect for both years. Excludes the Western Federal milk order which was terminated effective April 1, 2004.

### JANUARY MILK PRODUCTION (23 STATES)

Note: NASS added Colorado, Kansas, and Oregon to the monthly milk production estimating program beginning in January 2005. Historic estimates have been created for these states back to 2003 for comparison purposes. The 23 states in the monthly estimating program account for 91 percent of the U.S. milk production. The last major change to the monthly estimating program was in 1997, when Maryland, North Carolina and Tennessee were dropped and Arizona was added.

Milk production in the 23 major states during January totaled 13.2 billion pounds, up 1.3 percent from January 2004. December production, at 13.0 billion pounds, was up 1.2 percent from December 2003.

Production per cow in the 23 major states averaged 1,637 pounds for January, 13 pounds above January 2004.

The number of cows on farms in the 23 major states was 8.08 million head, 38,000 head more than January 2004, but 15,000 head less than December 2004.

### JANUARY 2005 MILK COWS AND MILK PRODUCTION, BY STATE

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	2004	2005	2004	2005	2004	2005	% CHANGE FROM 2004
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	155	165	2,010	1,970	312	325	4.2
CA	1,701	1,739	1,760	1,770	2,994	3,078	2.8
CO	99	100	1,830	1,830	181	183	1.1
FL	140	138	1,435	1,500	201	207	3.0
ID	412	435	1,800	1,800	742	783	5.5
IL	108	105	1,610	1,620	174	170	-2.3
IN	145	154	1,695	1,630	246	251	2.0
IA	196	187	1,680	1,715	329	321	-2.4
KS	111	109	1,695	1,730	188	189	0.5
KY	112	110	1,090	1,080	122	119	-2.5
MI	300	306	1,780	1,770	534	542	1.5
MN	465	460	1,505	1,510	700	695	-0.7
MO	125	118	1,265	1,300	158	153	-3.2
NM	325	319	1,760	1,710	572	545	-4.7
NY	658	650	1,490	1,535	980	998	1.8
OH	258	267	1,450	1,460	374	390	4.3
OR	118	120	1,565	1,565	185	188	1.6
PA	563	564	1,500	1,540	845	869	2.8
TX	317	318	1,660	1,655	526	526	---
VT	146	143	1,515	1,560	221	223	0.9
VA	105	105	1,410	1,450	148	152	2.7
WA	240	235	1,895	1,945	455	457	0.4
WI	1,245	1,235	1,505	1,510	1,874	1,865	-0.5
23 STATE TOTAL	8,044	8,082	1,624	1,637	13,061	13,229	1.3

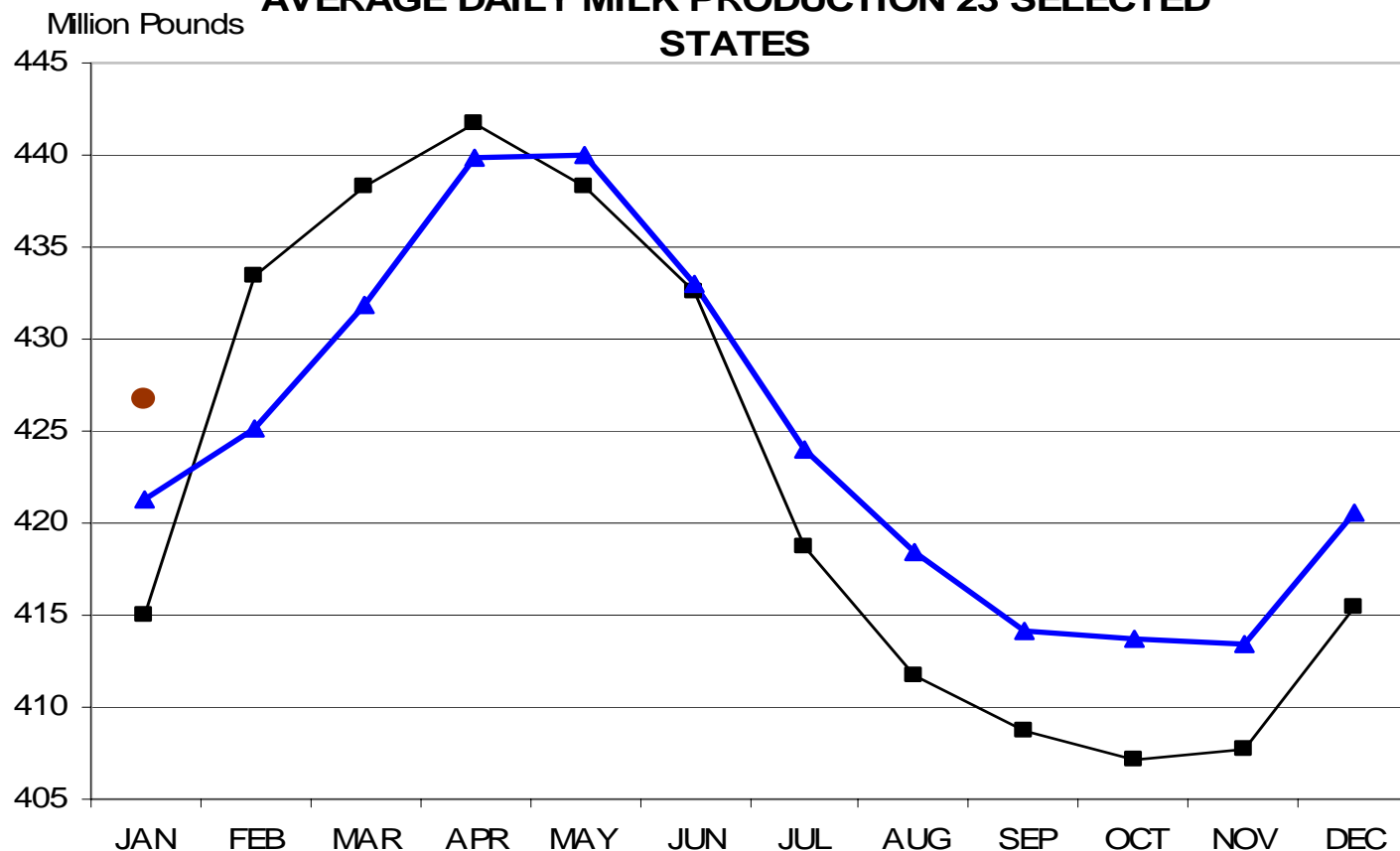
1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

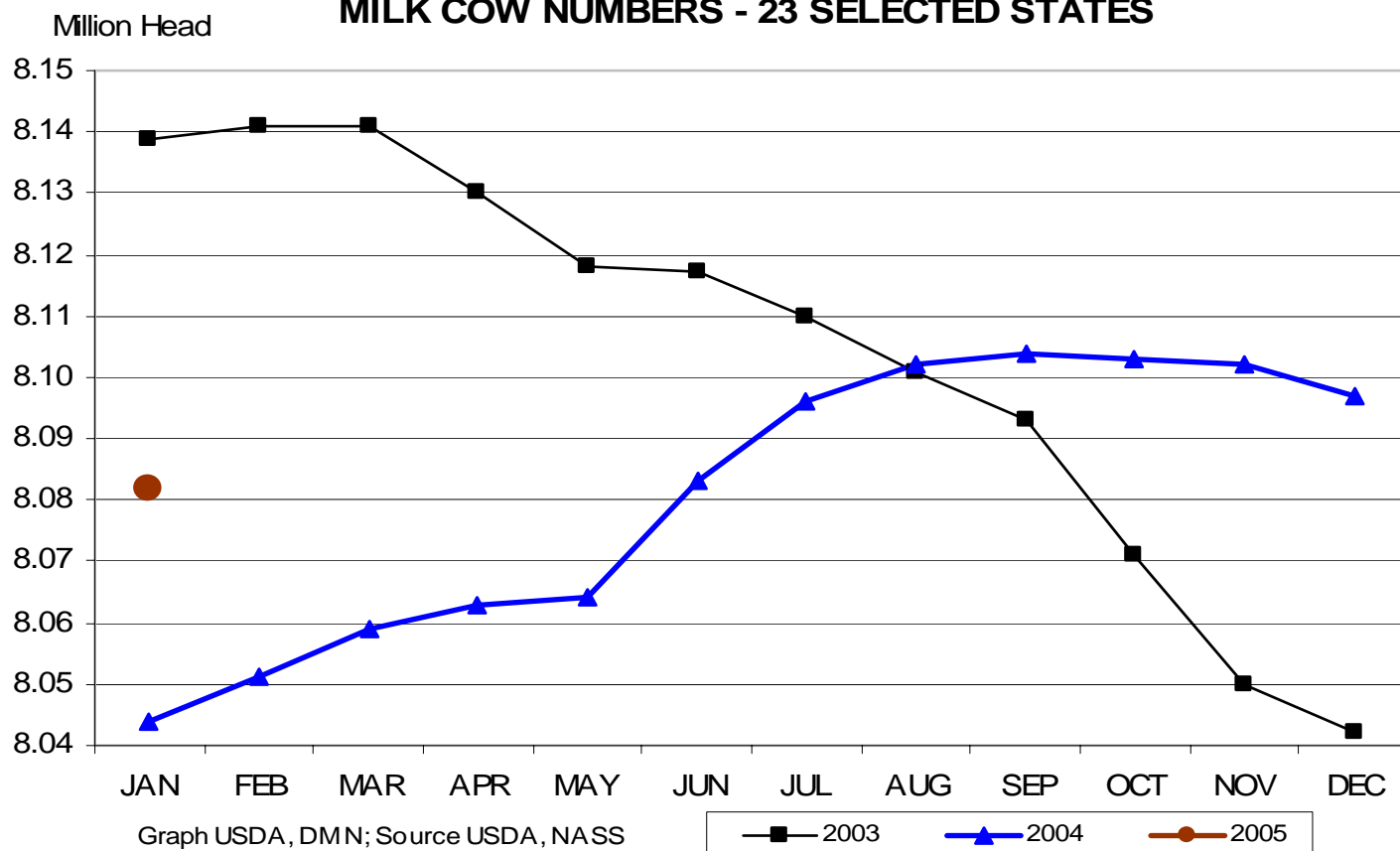
**SOURCE:** "Milk Production," Da 1-1 (2-05), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.



### AVERAGE DAILY MILK PRODUCTION 23 SELECTED STATES



### MILK COW NUMBERS - 23 SELECTED STATES



CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

	FOR THE WEEK OF FEBRUARY 14 - 18, 2005			CUMULATIVE TOTALS		UNCOMMITTED INVENTORIES	
	TOTAL PURCHASES	CONTRACT ADJUSTMENTS	ADJUSTED PURCHASES	SINCE 10/01/04	SAME PERIOD LAST YEAR	WEEK ENDING 02/11/05	SAME PERIOD LAST YEAR
<b>BUTTER</b>							
Bulk	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-42,309	-0-	-0-
<b>CHEESE</b>							
Block	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>TOTAL</b>	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<b>NONFAT DRY MILK</b>							
Nonfortified	-0-	-0-	-0-	31,817,269	227,364,566	-0-	846,014,000
Fortified	-0-	-0-	-0-	-0-	-119,048	-0-	46,391,000
<b>TOTAL</b>	-0-	-0-	-0-	31,817,269	227,245,518	-0-	892,405,000

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT* BASIS	SKIM** SOLIDS		MILKFAT* BASIS	SKIM** SOLIDS
WEEK OF FEBRUARY 14 - 18, 2005 =	0.0	0.0	COMPARABLE PERIOD IN 2004 =	1.8	96.1
CUMULATIVE SINCE OCTOBER 1, 2004 =	7.0	370.4	CUMULATIVE SAME PERIOD LAST YEAR =	49.1	2,645.1
CUMULATIVE JAN. 1 - FEB. 18, 2005 =	0.0	0.0	COMPARABLE CALENDAR YEAR 2004 =	23.6	1,295.9

\* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

\*\*Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE WEEK OF FEBRUARY 14 - 18, 2005 (POUNDS)

REGION	BUTTER			CHEESE			NONFAT DRY MILK	
	BULK	PACKAGED	UNSALTED	BLOCK	BARREL	PROCESS	NONFORTIFIED	FORTIFIED
CENTRAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
WEST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
EAST	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-

CCC ADJUSTED PURCHASES SINCE 10/1/04 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

REGION	BUTTER		CHEESE		NONFAT DRY MILK		MILK EQUIVALENT (%)	
	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04	2004/05	2003/04
CENTRAL	-0-	-0-	-0-	-0-	1,331,567	5,739,811	4.2	2.6
WEST	-0-	-42,309	-0-	-0-	29,415,099	217,221,933	92.4	95.5
EAST	-0-	-0-	-0-	-0-	1,070,603	4,283,774	3.4	1.9
<b>TOTAL</b>	-0-	-42,309	-0-	-0-	31,817,269	227,245,518	100.0	100.0

**NDM SELLBACK TO THE TRADE** The cumulative sellback total for 2005 is 0 pounds.

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

**MANUFACTURING MILK** Average Test 3.67% - \$9.90 per cwt.

**BUTTER** Bulk \$1.0500 per pound; 1# Prints \$1.0850

**CHEESE** 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

**NONFAT DRY MILK** Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 01/29/05 & Comparable Week 2004

Regions* (000 HEAD)	U.S. TOTAL										% DAIRY OF ALL	
	1	2	3	4	5	6	7	8	9	10	WEEK SINCE JAN 1	WEEK SINCE JAN 1
2005-Dairy	0.0	0.7	5.9	2.6	15.8	3.4	1.0	1.0	15.4	2.9	48.6	251.8
2004-Dairy	0.1	0.8	7.0	3.6	16.5	2.6	0.5	0.8	15.2	3.1	50.3	246.6
2005-All cows	0.1	0.7	7.2	11.4	33.6	13.5	13.0	3.8	16.7	5.6	105.7	509.8
2004-All cows	0.1	0.8	8.7	7.8	27.3	15.1	12.3	2.7	16.3	5.7	96.9	518.4

**SOURCE** The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, the Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2002	11.87	11.63	10.65	10.85	10.82	10.09	9.33	9.54	9.92	10.72	9.84	9.74
2003	9.78	9.66	9.11	9.41	9.71	9.75	11.78	13.80	14.30	14.39	13.47	11.87
2004	11.61	11.89	14.49	19.66	20.58	17.68	14.85	14.04	14.72	14.16	14.89	16.14

FEDERAL MILK ORDER CLASS PRICES FOR 2005 (3.5% BF)

CLASS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
I 1/	16.65	13.79	15.43									
II	13.04											
III	14.14											
IV	12.52											

1/ Specific order differentials to be added to this base price are located at [www.ams.usda.gov/dyfmoms/mib/cls\\_prod\\_cmp\\_pr.htm](http://www.ams.usda.gov/dyfmoms/mib/cls_prod_cmp_pr.htm)